

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

SILVERLIT TOYS MANUFACTORY, LTD., a
Hong Kong company; and SPIN MASTER
LTD., a Canadian corporation,

Plaintiffs,

v.

ABSOLUTE TOY MARKETING, INC., a Utah
corporation, dba HOBBYTRON.COM; TIM
GIBSON; and JIM ROYER,

Defendants.

No. C 06-7966 CW

ORDER GRANTING IN
PART PLAINTIFFS'
MOTION FOR A
PRELIMINARY
INJUNCTION AND
DENYING DEFENDANTS'
MOTION TO TRANSFER
AND MOTION TO
DISMISS

Plaintiffs Silverlit Toys Manufactory, Ltd. (Silverlit) and
Spin Master Ltd. (Spin Master) move for a preliminary injunction.
Defendants Absolute Toy Marketing, Inc., d.b.a. HobbyTron.com, Tim
Gibson and Jim Royer oppose the motion and move to transfer this
case to the District of Utah or in the alternative to dismiss the
claims against Gibson and Royer for lack of personal jurisdiction.
Defendants oppose Plaintiffs' motion. The matters were heard on
February 9, 2007. Having considered all of the papers filed by the
parties, the evidence cited therein and oral argument on the

1 motions, the Court grants in part Plaintiffs' motion for a
2 preliminary injunction and denies Defendants' motion to transfer or
3 dismiss.

4 BACKGROUND

5 Plaintiff Silverlit designs, manufactures, develops and
6 markets toys, including remote control toy helicopters. Silverlit
7 has been the registered owner of the trademark "Silverlit" since
8 1992. Among its products is a miniature remote control helicopter
9 called the Picoo Z, which Silverlit began distributing in 2006.
10 The helicopter was originally marketed both as the "Picoo Z" and
11 the "Hummingbird," but by the time it was marketed in the United
12 States, it was marketed as only the "Picoo Z."

13 On January 23, 2006, Silverlit obtained the copyright
14 registration for the design of the Picoo Z helicopter and on
15 December 20, 2006, Silverlit obtained the copyright registration
16 for the Picoo Z instruction manual and packaging. On June 27,
17 2006, Silverlit applied to the Patent and Trademark Office for
18 registration of the word mark "Picoo Z." That application is still
19 pending.

20 Defendant Absolute Toy Marketing is a Utah corporation that
21 operates a retail and wholesale website, HobbyTron.com, which sells
22 toys, including remote control toys. Defendant Royer is the
23 president and owner of Absolute Toy Marketing and registrant of the
24 domain name HobbyTron.com. The parties dispute Defendant Gibson's
25 role at Absolute Toy Marketing. Plaintiffs allege that Gibson is
26 the founder and CEO of HobbyTron, citing various news and trade
27 documents that identify him as CEO. Defendants counter that Gibson
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1 was the founder and CEO of Gibson Tech Ed, Inc. (Gibson Tech), a
2 company that also did business as HobbyTron, but that Defendants
3 allege went out of business in February, 2006. Defendants
4 acknowledge that Absolute Toy Marketing purchased a portion of
5 Gibson Tech's assets at a public auction, but do not explain when
6 or how Absolute Toy Marketing came to do business as HobbyTron or
7 when it took control of the HobbyTron website. Defendants identify
8 Gibson as "an employee" of Absolute Toy Marketing but do not state
9 what his role is at the company.

10 During 2006, Silverlit promoted the Picoo Z Helicopter at
11 trade shows and in various trade magazine and newspaper
12 advertisements. The Picoo Z was recognized by the Guinness Book of
13 World Records as the world's smallest commercial remote control
14 helicopter. Plaintiffs describe the Picoo Z as "a highly desired
15 toy by consumers and retailers alike." Plaintiffs' Motion for
16 Preliminary Injunction at 4. Silverlit states that it has sold
17 nearly 600,000 units of the Picoo Z helicopter, of which 81,916
18 units were shipped to the United States through November, 2006.
19 Silverlit recently entered into a license agreement with Plaintiff
20 Spin Master, granting Spin Master a trademark and copyright license
21 to distribute the Picoo Z helicopter in Canada, Mexico and the
22 United States.

23 Among the Picoo Z helicopters Plaintiffs shipped to the United
24 States were approximately 10,750 units, sold to Defendant Absolute
25 Toy Marketing. Pursuant to Absolute Toy Marketing's instructions,
26 the helicopters were shipped to a company called World Trading,
27 located in North Hollywood, California.

1 Plaintiffs allege that in early December, 2006, they
2 discovered that Defendants were marketing and distributing to
3 customers around the United States, including California, remote
4 control toy helicopters called the "Pico Z" and "Picco Z" in
5 packaging similar to Silverlit's Picoo Z packaging. Plaintiffs
6 conducted an investigation, ordering the products from the
7 HobbyTron website and comparing them to the Picoo Z products.
8 Plaintiffs have also received complaints from consumers who bought
9 the allegedly infringing products from the HobbyTron website and
10 were disappointed with the product.

11 Plaintiffs further allege that "Defendants have gone to great
12 lengths to fool consumers into falsely believing that the
13 Infringing Products that HobbyTron is selling are genuine Silverlit
14 Picoo Z Helicopters." Plaintiffs' Motion for Preliminary
15 Injunction at 6. They allege that the helicopter, packaging and
16 instruction manual "are exact copies of, or confusingly similar to,
17 the Silverlit Picoo Z" and that HobbyTron displays images of the
18 Silverlit Picoo Z, not of the allegedly infringing products, on its
19 website. Plaintiffs also cite a December, 2006 press release that
20 states that "one month before Christmas, HobbyTron.com is the only
21 major source of the Picco Z Mini RC Helicopter in the United
22 States." Kim Declaration in Support of Plaintiffs' Motion for
23 Preliminary Injunction, Ex. W. The press release goes on to quote
24 Defendant Royer as stating, "Once you've played with the Picco Z RC
25 helicopter, you immediately understand why they're flying out of
26 Internet retailers and off store shelves the way they are--they're
27 incredibly fun. . . . We're happy to report that although the Picco
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1 Z is sold out at Radio Shack, Toys 'R' Us and others, we still have
2 tens of thousands available for holiday shoppers." Id. Plaintiffs
3 allege that the Defendants intended to mislead consumers into
4 believing that Picoo Z's were being offered for sale, when it was
5 Defendants' allegedly inferior product that was actually offered.

6 On December 19, 2006, Plaintiffs' counsel sent a cease and
7 desist letter to HobbyTron regarding the sale of these products.
8 Defendants have not responded to the letter.

9 On December 29, 2006, Plaintiffs filed this lawsuit, alleging
10 claims for (1) copyright infringement; (2) contributory copyright
11 infringement; (3) vicarious copyright infringement; (4) trademark
12 infringement; (5) unfair competition and false designation of
13 origin; (6) common law trademark and trade name infringement; (7)
14 unfair competition under California Business and Professions Code
15 §§ 1720, et seq.; and (8) common law passing off and disparagement.

16 On January 5, 2007, Plaintiffs moved for a preliminary
17 injunction. On January 19, 2007, Defendants moved to transfer the
18 case to the District of Utah or in the alternative to dismiss the
19 claims against Defendants Gibson and Royer based on a lack of
20 personal jurisdiction. Defendants also seek to stay Plaintiffs'
21 motion for preliminary injunction pending the resolution of the
22 motion to transfer. The Court considers both parties' motions
23 simultaneously.

24 LEGAL STANDARDS

25 I. Preliminary Injunction

26 To obtain a preliminary injunction, the moving party must
27 establish either: (1) a combination of probable success on the
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1 merits and the possibility of irreparable harm, or (2) that serious
2 questions regarding the merits exist and the balance of hardships
3 tips sharply in the moving party's favor. Rodeo Collection, Ltd.
4 v. West Seventh, 812 F.2d 1215, 1217 (9th Cir. 1987).

5 The test is a "continuum in which the required showing of harm
6 varies inversely with the required showing of meritoriousness."
7 Id. (quoting San Diego Comm. Against Registration & the Draft v.
8 Governing Bd. of Grossmont Union High Sch. Dist., 790 F.2d 1471,
9 1473 n.3 (9th Cir. 1986)). The moving party ordinarily must show
10 "a significant threat of irreparable injury," although there is "a
11 sliding scale in which the required degree of irreparable harm
12 increases as the probability of success decreases," United States
13 v. Odessa Union Warehouse Co-op, 833 F.2d 172, 174, 175 (9th Cir.
14 1987), and vice versa. To overcome a weak showing of merit, a
15 plaintiff seeking a preliminary injunction must make a very strong
16 showing that the balance of hardships is in its favor. Rodeo
17 Collection, 812 F.2d at 1217.

18 II. Motion to Dismiss

19 Under Rule 12(b)(2) of the Federal Rules of Civil Procedure, a
20 defendant may move to dismiss for lack of personal jurisdiction.
21 The plaintiff then bears the burden of demonstrating that
22 jurisdiction exists. Schwarzenegger v. Fred Martin Motor Co., 374
23 F.3d 797, 800 (9th Cir. 2004). The plaintiff "need only
24 demonstrate facts that if true would support jurisdiction over the
25 defendant." Ballard v. Savage, 65 F.3d 1495, 1498 (9th Cir. 1995);
26 Fields v. Sedgwick Assoc. Risks, Ltd., 796 F.2d 299, 301 (9th Cir.
27 1986). Uncontroverted allegations in the complaint must be taken
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1 as true. AT&T v. Compagnie Bruxelles Lambert, 94 F.3d 586, 588
2 (9th Cir. 1996). However, the court may not assume the truth of
3 such allegations if they are contradicted by affidavit. Data Disc,
4 Inc. v. Systems Technology Associates, Inc., 557 F.2d 1280, 1284
5 (9th Cir. 1977). Conflicts in the evidence must be resolved in the
6 plaintiff's favor. AT&T, 94 F.3d at 588.

7 If material facts are controverted or if the evidence is
8 inadequate, a court may permit discovery to aid in determining
9 whether personal jurisdiction exists. Data Disc, Inc., 557 F.2d at
10 1285 n.1. If the submitted materials raise issues of credibility
11 or disputed questions of fact, the district court has the
12 discretion to hold an evidentiary hearing in order to resolve the
13 contested issues. Id.

14 There are two independent limitations on a court's power to
15 exercise personal jurisdiction over a non-resident defendant: the
16 applicable State personal jurisdiction rule and constitutional
17 principles of due process. Sher v. Johnson, 911 F.2d 1357, 1361
18 (9th Cir. 1990); Data Disc, Inc., 557 F.2d at 1286. California's
19 jurisdictional statute is co-extensive with federal due process
20 requirements; therefore, jurisdictional inquiries under State law
21 and federal due process standards merge into one analysis. Rano v.
22 Sipa Press, Inc., 987 F.2d 580, 587 (9th Cir. 1993).

23 The exercise of jurisdiction over a non-resident defendant
24 violates the protections created by the due process clause unless
25 the defendant has "minimum contacts" with the forum State so that
26 the exercise of jurisdiction "does not offend traditional notions
27 of fair play and substantial justice." International Shoe Co. v.

1 Washington, 326 U.S. 310, 316 (1945). Personal jurisdiction may be
2 either general or specific. Plaintiffs allege that the Court has
3 specific jurisdiction over Defendants Gibson and Royer.

4 Specific jurisdiction exists where the cause of action arises
5 out of or relates to the defendant's activities within the forum.
6 Data Disc, Inc, 557 F.2d at 1286. Specific jurisdiction is
7 analyzed using a three-prong test: (1) the non-resident defendant
8 must purposefully direct its activities or consummate some
9 transaction with the forum or a resident thereof; or perform some
10 act by which it purposefully avails itself of the privilege of
11 conducting activities in the forum, thereby invoking the benefits
12 and protections of its laws; (2) the claim must be one which arises
13 out of or results from the defendant's forum-related activities;
14 and (3) the exercise of jurisdiction must be reasonable. Lake v.
15 Lake, 817 F.2d 1416, 1421 (9th Cir. 1987). Each of these
16 conditions is required for asserting jurisdiction. Insurance Co.
17 of N. Am. v. Marina Salina Cruz, 649 F.2d 1266, 1270 (9th Cir.
18 1981).

19 A showing that a defendant "purposefully availed" itself of
20 the privilege of doing business in a forum State typically consists
21 of evidence of the defendant's actions in the forum, such as
22 executing or performing a contract there. Schwarzenegger, 374 F.3d
23 at 802. The requirement of purposeful availment ensures that the
24 defendant should reasonably anticipate being haled into the forum
25 state court based on its contacts. World-Wide Volkswagen Corp. v.
26 Woodson, 444 U.S. 286, 297 (1980). The purposeful availment test
27 is met where "the defendant has taken deliberate action within the
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1 forum state or if he has created continuing obligations to forum
2 residents." Ballard, 65 F.3d at 1498.

3 A showing that a defendant "purposefully directed" its conduct
4 toward a forum state "usually consists of evidence of the
5 defendant's actions outside the forum state that are directed at
6 the forum, such as the distribution in the forum state of goods
7 originating elsewhere." Schwarzenegger, 374 F.3d at 803.
8 Purposeful direction may be established under the "effects test"
9 where the defendant (1) committed an intentional act, (2) expressly
10 aimed at the forum state, (3) causing harm that the defendant knows
11 is likely to be suffered in the forum state. Dole Food Co. v.
12 Watts, 303 F.3d 1104, 1111 (9th Cir. 2002).

13 The second factor requires that the claim arise out of or
14 result from the defendant's forum-related activities. A claim
15 arises out of a defendant's conduct if the claim would not have
16 arisen "but for" the defendant's forum-related contacts.
17 Panavision Int'l v. L.P.v. Toeppa, 141 F.3d 1316, 1322 (9th Cir.
18 1998).

19 Once the plaintiff has satisfied the first two factors, the
20 defendant bears the burden of overcoming a presumption that
21 jurisdiction is reasonable by presenting a compelling case that
22 specific jurisdiction would be unreasonable. Burger King Corp. v.
23 Rudzewicz, 471 U.S. 462, 472-73 (1985); Haisten v. Grass Valley
24 Medical Fund, Ltd., 784 F.2d 1392, 1397 (9th Cir. 1986). Seven
25 factors are considered in assessing whether the exercise of
26 jurisdiction over a non-resident defendant is reasonable: (1) the
27 extent of the defendant's purposeful interjection into the forum
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1 State's affairs, (2) the burden on the defendant, (3) conflicts of
2 law between the forum State and the defendant's home jurisdiction,
3 (4) the forum State's interest in adjudicating the dispute, (5) the
4 most efficient judicial resolution of the dispute, (6) the
5 plaintiff's interest in convenient and effective relief, and
6 (7) the existence of an alternative forum. Caruth v. International
7 Psychoanalytical Ass'n, 59 F.3d 126, 128 (9th Cir. 1995); Roth v.
8 Garcia Marquez, 942 F.2d 617, 623 (9th Cir. 1991).

9 III. Motion to Transfer

10 Title 28 U.S.C. § 1404(a) provides as follows: "For the
11 convenience of parties and witnesses, in the interest of justice, a
12 district court may transfer any civil action to any other district
13 or division where it might have been brought." Plaintiffs do not
14 dispute that this case could have been brought in the District of
15 Utah. Thus, the Court need only consider the convenience of the
16 parties and witnesses and the interest of justice.

17 The statute identifies three basic factors for district courts
18 to consider in determining whether a case should be transferred:
19 (1) convenience of the parties; (2) convenience of the witnesses;
20 and (3) the interests of justice. 28 U.S.C. § 1404(a). The Ninth
21 Circuit provides other factors the court may consider: ease of
22 access to the evidence; familiarity of each forum with the
23 applicable law; feasibility of consolidation of other claims; any
24 local interest in the controversy; relative court congestion and
25 time of trial in each forum; location where the relevant agreements
26 were negotiated and executed; the parties' contacts with forum;
27 difference in the costs of litigation in the two forums; and
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1 availability of compulsory process to compel attendance of
2 unwilling non-party witnesses. Decker Coal Co. v. Commonwealth
3 Edison Co., 805 F.2d 834, 843 (9th Cir. 1986); Jones v. GNC
4 Franchising, Inc., 211 F.3d 495, 498-99 (9th Cir. 2000). Another
5 factor the Ninth Circuit has identified is the plaintiff's choice
6 of forum. See Securities Investor Protection Corp. v. Vigman, 764
7 F.2d 1309, 1317 (9th Cir. 1985). The Securities Investor court
8 held that, unless the balance of the § 1404(a) factors "is strongly
9 in favor of the defendants, the plaintiff's choice of forum should
10 rarely be disturbed." Id.; see also Decker Coal, 805 F.2d at 843
11 ("defendant must make a strong showing . . . to warrant upsetting
12 the plaintiff's choice of forum").

13 The burden is on the defendant to show that the convenience of
14 parties and witnesses and the interest of justice require transfer
15 to another district. See Commodity Futures Trading Comm'n v.
16 Savage, 611 F.2d 270, 279 (9th Cir. 1979).

17 DISCUSSION

18 I. Preliminary Injunction

19 In copyright infringement, trademark infringement and unfair
20 competition cases, a reasonable showing of likelihood of success on
21 the merits raises a presumption of irreparable harm. LGS
22 Architects, Inc. v. Concordia Homes, 434 F.3d 1150, 1155-56 (9th
23 Cir. 2006); Vision Sports, Inc. v. Melville Corp., 888 F.2d 609,
24 612 n.3 (9th Cir. 1989). Plaintiffs argue that they are likely to
25 succeed on the merits of their copyright infringement claims,
26 Lanham Act claims and common law claims of unfair competition and
27 that preliminary injunctive relief should therefore be granted.

1 Without disputing Plaintiffs' primary assertion that
2 Defendants are marketing and selling a product remarkably similar
3 to Plaintiffs' Picoo Z, Defendants attempt to argue that an
4 injunction is improper because Plaintiffs are unlikely to succeed
5 on the merits of their claims.

6 A. Copyright Claims

7 To establish a claim of copyright infringement a plaintiff
8 must demonstrate (1) ownership of the copyrights, and (2) copying
9 of an expression protected by those copyrights. Triad Systems
10 Corp. v. Southeastern Express Co., 64 F.3d 1330, 1335 (9th Cir.
11 1995).

12 Plaintiffs have produced certificates of registration for the
13 design, instruction manual and packaging of the Picoo Z helicopter.
14 See Kim Declaration in Support of Motion for Preliminary
15 Injunction, Exhibits K, L, and M.¹ Under 17 U.S.C. § 410(c), "the
16 certificate of a registration made before or within five years
17 after first publication of the work shall constitute prima facie
18 evidence of the validity of the copyright and of the facts stated
19 in the certificate."

20 In order to prove copying of the expression protected by the
21 copyrights, Plaintiffs must demonstrate (1) that Defendants had
22 access to the Picoo Z helicopter, manual and packaging and (2) that
23 the works are substantially similar. Funky Films, Inc. v. Time

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25 ¹The Court notes that the copyright for the helicopter itself
26 is entitled "X-Rotor Hummingbird" rather than Picoo Z. Plaintiff
27 states that it marketed the Picoo Z as the Hummingbird outside of
the United States before introducing the Picoo Z in the United
States. The copyright certificates for the instructions and
packaging are entitled "Picoo Z."

1 Warner Entm't Co., L.P., 462 F.3d 1072, 1076 (9th Cir. 2006). It
2 cannot be disputed that Defendants had access to the helicopter,
3 manual and packaging, because both parties agree that Plaintiffs
4 shipped approximately 10,000 units to Defendants in 2006. To
5 establish that the works are substantially similar, Plaintiffs must
6 meet a two part test, establishing that the products are both
7 extrinsically and intrinsically similar. Id. "The 'extrinsic
8 test' is an objective comparison of specific expressive elements"
9 while the "'intrinsic test' is a subjective comparison that focuses
10 on 'whether the ordinary, reasonable audience' would find the works
11 substantially similar in the 'total concept and feel of the
12 works.'" Cavalier v. Random House, Inc., 297 F.3d 815, 822 (9th
13 Cir. 2002). The Court finds that Plaintiffs have met both elements
14 of this test. The products are objectively almost identical. The
15 helicopters are the same shape and bear many of the same designs.
16 The instruction manuals are virtually identical to one another,
17 including typographical errors. The only differences between the
18 two manuals are that Defendants' manual does not include the
19 Silverlit name and contact information and calls the helicopter the
20 "Pico Z" or "Rider" instead of the "Picoo Z." Finally, the
21 packaging is identical in shape and size and both bear the same
22 stylized letter "z" in the name of the helicopter. Further, the
23 text on Defendants' packaging is virtually identical to the text on
24 Plaintiffs' packaging.

25 Defendants do not dispute Plaintiffs' allegations that their
26 packaging infringes Silverlit's copyright. Further, Defendants do
27 not dispute that their product is virtually identical to

1 Plaintiffs'. Instead, Defendants argue that the helicopter is a
2 "useful article" that can be denied copyright protection and
3 therefore that Plaintiffs' helicopter and instruction manual
4 copyrights are invalid. See 17 U.S.C. § 101. Plaintiffs counter
5 by citing cases finding that "toys are not useful articles;
6 therefore toys may be copyrighted." Kikker 5150 v. Kikker 5150
7 USA, LLC, 2004 U.S. Dist. LEXIS 16859, *18 (N.D. Cal. 2004).
8 Defendants respond that the helicopter is not merely a toy but has
9 "an 'intrinsic utilitarian function' which is flying in a stable
10 manner, flying in a controlled manner, flying for 'over 6 minutes,'
11 flying indoors, actively simulating a larger helicopter and
12 providing user with a realistic experience of flying an actual
13 helicopter." Defendants' Opposition to Motion for Preliminary
14 Injunction at 14. An Illinois court rejected a similar argument,
15 finding that a flying saucer toy was not a useful article simply
16 because it could fly. Spinmaster Ltd. v. Overbreak LLC, 404 F.
17 Supp. 2d 1097, 1103-04 (N.D. Ill. 2005). The Illinois court found
18 that the defendant "incorrectly tries to equate the purpose of [the
19 toy] with an aspect of its design. Its method of flight is
20 certainly part of the draw of the toy, and one of the qualities
21 that makes playing with it unique, but it is quite clear that the
22 [toy] is designed to portray a flying saucer. The flight is only
23 one part of that portrayal." Id.

24 Similarly, the Court finds that the Picoo Z is a toy that is
25 meant to portray a helicopter and that it is not a "useful
26 article." See 17 U.S.C. § 101 (defining useful article as "an
27 article having an intrinsic utilitarian function that is not merely
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1 to portray the appearance of the article"). The Court finds that
2 Plaintiffs have made a reasonable showing that they will be
3 successful on the merits of their copyright infringement claims.

4 B. Trademark Claims

5 Plaintiffs also allege trademark claims under the Lanham Act
6 and the common law for unfair competition. "The 'ultimate test'
7 for unfair competition is exactly the same as for trademark
8 infringement: 'whether the public is likely to be deceived or
9 confused by the similarity of the marks.'" Century 21 Real Estate
10 Corp. v. Sandlin, 846 F.2d 1175, 1178 (9th Cir. 1988) (quoting New
11 West Corp. v. NYM Co. of California, 595 F.2d 1194, 1201 (9th Cir.
12 1979)).

13 The Ninth Circuit has identified eight factors that are
14 relevant to whether consumers are likely to confuse related goods:
15 (1) strength of the mark, (2) proximity of the goods,
16 (3) similarity of the marks, (4) evidence of actual confusion,
17 (5) marketing channels used, (6) degree of care likely to be
18 exercised by the purchaser, (7) evidence of bad faith intent in
19 selecting the mark, and (8) likelihood of expansion and overlap of
20 the products. AMF, Inc. v. Sleekcraft, 599 F.2d 341, 348-49 (9th
21 Cir. 1979). Because each of these factors is not necessarily
22 relevant in every case, the list of factors functions as a guide
23 and is neither exhaustive nor conclusive. Metro Pub., Ltd. v. San
24 Jose Mercury News, 987 F.2d 637, 640 (9th Cir. 1993). In fact, the
25 Ninth Circuit has warned against "excessive rigidity" in applying
26 the factors and noted that "it is often possible to reach a
27 conclusion with respect to likelihood of confusion after
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1 considering only a subset of the factors." Brookfield
2 Communications, Inc. v. West Coast Entertainment Corp., 174 F.3d
3 1036, 1054 (9th Cir. 1999); see also Eclipse Associates Limited v.
4 Data General Corp., 894 F.2d 1114, 1118 (9th Cir. 1990) (Sleekcraft
5 factors "were not meant to be requirements or hoops that a district
6 court need jump through to make a determination"); Murray v. Cable
7 National Broadcasting Co., 86 F.3d 858 (9th Cir. 1996) (finding no
8 likelihood of confusion after abbreviated Sleekcraft analysis).

9 The Court finds that Plaintiff has demonstrated a likelihood
10 of confusion based on these factors. As discussed above, the
11 products being sold are remarkably similar. Further, Defendants'
12 choice of name for its product, "Pico Z," is similar to Plaintiffs'
13 Picoo Z name. Both products are sold over the internet, and
14 Plaintiffs have provided evidence that Defendants are intentionally
15 confusing customers. For example, as discussed above, Defendants
16 issued a press release that likely would lead a consumer to believe
17 that Defendants' Pico Z was in fact Plaintiffs' Picoo Z. Further,
18 Plaintiffs provide evidence of multiple consumers who bought
19 Defendants' product believing it was Plaintiffs'.

20 Defendants do not dispute that there is a likelihood of
21 confusion between the Pico Z name and the Picoo Z name. Instead,
22 they argue that Plaintiffs' decision to market the helicopter as
23 the "Havoc Heli" in the United States eliminates any possibility of
24 confusion. However, Defendants argument fails for two reasons.
25 First, Defendants fail to acknowledge that Plaintiff only changed
26 the name of its product as a result of infringing activity by
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1 others, including Defendants.² Further, Defendants do not
2 acknowledge that Plaintiffs continue to market the helicopter as
3 the Picoo Z outside of the United States, that Plaintiffs continue
4 to offer the Picoo Z for sale on their website or that there is a
5 significant aftermarket for the Picoo Z on auction websites such as
6 eBay.

7 The Court finds that Plaintiffs have made a reasonable showing
8 that they will be successful on the merits of their trademark
9 claims.

10 C. Scope of the Injunctive Relief

11 Plaintiffs seek an order enjoining Defendants from continuing
12 to market and sell the allegedly infringing products and from
13 utilizing Plaintiffs' copyrighted materials. The Court finds that
14 the scope of the proposed relief is appropriate. However,
15 Plaintiffs also seek the impoundment and destruction of all
16 allegedly infringing helicopters, instruction manuals, packaging,
17 promotional materials and the tools used to produce them. The
18 Court finds that destruction of the allegedly infringing materials
19 is inappropriate pending the outcome of the litigation.

20 D. Bond

21 Plaintiffs request that the Court not require them to post a
22 bond, arguing that there is no likelihood that Defendants will be
23 harmed by being enjoined from their unlawful conduct. Defendants
24 counter that "the bond should be no less than \$1,000,000," arguing

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26 ²Defendants suggest that Plaintiffs changed the name of the
27 toy because of another company's prior use of a similar name for a
28 toy helicopter. However, as Plaintiffs point out, Defendants do
not provide any evidentiary support for this contention.

1 that Plaintiffs have not shown that their conduct is unlawful.
2 Defendants' Opposition to Motion to Dismiss at 22. The Court will
3 require Plaintiffs to post a \$1,000 bond.

4 II. Motion to Dismiss

5 Defendants concede that Absolute Toy Marketing's sale of the
6 allegedly infringing products in California subjects it to specific
7 jurisdiction in the State but argue that the Court lacks personal
8 jurisdiction over Gibson and Royer because they do not have the
9 constitutionally required minimum contacts with the State.

10 Plaintiffs counter that both of the individual Defendants have
11 sufficient power within Absolute Toy Marketing to be held
12 personally liable for the actions of the company, and that they
13 should therefore be subject to personal jurisdiction. Defendants
14 do not dispute that an individual who "is the moving, active
15 conscious force behind the infringing activity" would be subject to
16 jurisdiction in this case. Babbit Electronics, Inc. v. Dynascan
17 Corp., 828 F. Supp. 944 (S.D. Fla. 1993), aff'd 38 F.3d 1161 (11th
18 Cir. 1994). Instead, Defendants argue that the individual
19 Defendants did not actually exercise sufficient control over
20 Absolute Toy Marketing's decisions with respect to the allegedly
21 infringing products to subject them to the Court's jurisdiction.

22 A. Defendant Tim Gibson

23 As mentioned above, Defendants state that Gibson is an
24 "employee" of Absolute Toy Marketing, but do not elaborate on his
25 role at the company. However, Plaintiffs have provided evidence
26 that Gibson is a manager in the company, capable of exercising
27 sufficient control to subject him to jurisdiction. For example,
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1 Plaintiffs note that Gibson is listed second, below Defendant
2 Royer, the company's president, on the list of "Company Management"
3 included on the "HobbyTron.com Company Fact Sheet" published in
4 November, 2006. Kim Declaration in Support of Plaintiffs'
5 Opposition to Motion to Transfer, Ex. J.

6 Instead of providing affirmative evidence of Gibson's role at
7 Absolute Toy Marketing that demonstrates that he did not take part
8 in the decision to market and sell the allegedly infringing
9 products, Defendants attempt to point out technical problems with
10 Plaintiffs' evidence. For example, Defendants point out that most
11 of the articles that state that Gibson was the founder or CEO of
12 HobbyTron pre-dated Absolute Toy Marketing. While this eliminates
13 those articles as evidence of Gibson's role at Absolute Toy
14 Marketing, it does not negate the evidence that he was part of the
15 "Company Management" as of November, 2006. Further, Defendants do
16 not provide any evidence related to the transfer of the HobbyTron
17 website from Gibson Tech, the company that Gibson did create, to
18 Absolute Toy Marketing.

19 Because Defendants have not provided any evidence or
20 affidavits to contradict the evidence produced by Plaintiffs and
21 the allegations in the complaint, and because the Court resolves
22 conflicts in the evidence in Plaintiffs' favor, it denies
23 Defendants' motion to dismiss the claims against Gibson for lack of
24 personal jurisdiction. AT&T, 94 F.3d at 588.

25 B. Defendant Jim Royer

26 Defendants admit that Defendant Royer is the president and
27 owner of Absolute Toy Marketing but deny that there is sufficient
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1 evidence to establish that he was involved in decisions related to
2 the infringing products. Plaintiffs allege that, in addition to
3 Royer's title and ownership interest in the company, the misleading
4 statements Royer made regarding the sale of Absolute Toy
5 Marketing's "Picco Z" helicopter in a press release demonstrate his
6 involvement in the marketing and sale of the infringing products.
7 Further, Royer is the owner of the HobbyTron.com website, through
8 which the allegedly infringing products were sold. Again,
9 Defendants do not provide affirmative evidence that Royer was not
10 involved in the marketing and sale of the allegedly infringing
11 product but seek to undermine the evidence that Plaintiffs present.

12 Defendants argue that knowledge of the company's sale of the
13 allegedly infringing product is insufficient to establish a claim
14 against Royer and therefore is insufficient to establish specific
15 jurisdiction. However, Plaintiffs' evidence shows more than
16 knowledge of the sale of the allegedly infringing product. Here,
17 Royer's knowingly misleading statements are enough to establish
18 that he was a moving active force behind the alleged infringement
19 even if he was unaware that his actions were improper. See, e.g.,
20 Bambu Sales, Inc. v. Sultana Crackers, Inc., 683 F. Supp. 899,
21 913-14 (E.D.N.Y. 1988) (holding liable a corporate officer who was
22 unaware his acts would result in trademark infringement); Playboy
23 Enterprises, Inc. v. Starware Publishing Corp., 900 F. Supp. 438,
24 441-42 (S.D. Fla. 1995) (same for copyright infringement).

25 II. Motion to Transfer

26 Defendants move to transfer this case to the District of Utah
27 on several grounds. First Defendants note that neither of the

1 Plaintiffs resides in this district. Second, Defendants argue that
2 most of the witnesses and evidence is located in Utah. Next,
3 Defendants argue that the convenience of the parties weighs in
4 favor of transfer. Finally, Defendants argue that Utah has a
5 particular interest in the resolution of this case. Plaintiffs
6 disagree that Defendants have met their burden of showing that the
7 convenience of parties and witnesses and the interest of justice
8 require transfer.

9 A. Plaintiffs' Choice of Forum

10 Although courts typically give a plaintiff's choice of forum
11 great deference unless the defendant can show that other factors of
12 convenience clearly outweigh the plaintiff's choice, there are
13 factors that diminish the deference typically afforded. Decker
14 Coal, 805 F.2d at 843; Securities Investor, 764 F.2d at 1317. For
15 example, "in contrast to the strong presumption in favor of a
16 domestic plaintiff's forum choice, 'a foreign plaintiff's choice
17 deserves less deference.'" Ravelo Monegro v. Rosa, 211 F.3d 509,
18 513 (9th Cir. 2000) (quoting Piper Aircraft v. Reyno, 454 U.S. 235,
19 256 (1981)). "[T]he degree to which courts defer to the
20 plaintiff's chosen venue is substantially reduced where the
21 plaintiff does not reside in the venue or where the forum lacks a
22 significant connection to the activities alleged in the complaint."
23 Williams v. Bowman, 157 F. Supp. 2d 1103, 1106 (N.D. Cal. 2001).

24 Here Plaintiffs do not reside in the district. While the
25 Court gives some weight to Plaintiffs' choice of forum, the
26 ordinary deference afforded is diminished. This factor weighs
27 slightly against transfer.

1 B. Convenience of the Witnesses and Access to Evidence

2 Defendants identify over fifteen witnesses who reside in Utah:
3 eleven Absolute Toy Marketing employees and several third party
4 witnesses, including an unidentified group of FedEx and UPS
5 employees who "have knowledge of the shipment of the alleged
6 infringing mini-helicopters." Defendants' Motion to Transfer at 9.
7 The Court discounts the inconvenience to Defendants' employees,
8 whom Defendants can compel to testify. STX, Inc. v. Trik Stik,
9 Inc., 708 F. Supp. 1551, 1556 (N.D. Cal. 1988). Further, it is not
10 clear that the witnesses Defendants identify would be called upon
11 to testify in this case. As Plaintiffs point out, their claims do
12 not involve "a low-level employee's physical act of packing a toy
13 in a cardboard box, or a UPS employee's act of delivering that box
14 to a consumer." Plaintiffs' Opposition to Motion to Transfer at
15 16.

16 Plaintiffs do not identify any witnesses that they intend to
17 call, stating only that they "may be required to involve foreign
18 witnesses to establish their claims" and that if they do so, San
19 Francisco is more convenient for those traveling from Asia.
20 Defendants counter that there are direct flights from Asia to the
21 Salt Lake City Airport, and that the relative increase in expense
22 is minimal for Plaintiffs if the case is transferred to Utah while
23 the potential savings for Defendants are great.

24 The Ninth Circuit has held that "the location of the evidence
25 and witnesses . . . is no longer weighed heavily given the modern
26 advances in communication and transportation." Panavision Int'l
27 L.P. v. Toeppen, 141 F.3d 1316, 1323 (9th Cir. 1998). The Court

1 finds this factor to weigh slightly in favor of transfer.

2 C. Convenience to Parties

3 Defendants argue that it will be very inconvenient for them to
4 litigate this matter in this district, but that transfer to Utah
5 will not increase any inconvenience to Plaintiffs. First, they
6 argue that Absolute Toy Marketing is a small company with only
7 twenty-five employees and that its yearly sales of \$8 million are
8 very small, relative to Plaintiff Silverlit's yearly sales of \$80
9 million and Plaintiff Spin Master's yearly sales of \$300 million.
10 Therefore, Defendants argue that the burden of traveling to
11 California to litigate would be much higher for them than for
12 Plaintiffs to travel to Utah. Defendants note that a larger
13 percentage of their staff would be absent from their home offices
14 during litigation and that their travel expenses would be
15 disproportionately high.

16 In contrast, Defendants point out that Plaintiffs' witnesses
17 will already be traveling to the United States from Hong Kong or
18 Canada whether the litigation is in California or Utah. Defendants
19 also point out that the Salt Lake City airport has direct flights
20 to both Ontario, Canada and Hong Kong. Therefore any additional
21 inconvenience or cost associated with litigating in Utah rather
22 than California would be minimal for Plaintiffs. The Court finds
23 that the additional inconvenience to Plaintiffs if transfer is
24 granted will be less than the inconvenience to Defendants of
25 litigating in California. This factor weighs in favor of transfer.

26 D. Utah's Interest in the Resolution of the Case

27 Another consideration in deciding a motion to transfer is the
28

1 interest in having localized controversies decided in the district
2 where they occur. See Gulf Oil Co. v. Gilbert, 330 U.S. 501, 508
3 (1947). Defendants argue that the District of Utah has a greater
4 local interest in deciding this case because Defendants are
5 incorporated under the laws of that State and are located there.

6 Plaintiffs counter that California has a strong interest in
7 adjudicating the dispute because of "Defendants' improper sales and
8 advertising activities directed at California customers."

9 Plaintiffs' Opposition to Motion to Transfer at 15. Therefore,
10 Plaintiffs note that "California maintains a strong interest in
11 'protecting its citizens from the willful acts of nonresident
12 defendants.'" Io Group v. Pivotal, Inc., 2004 U.S. Dist. LEXIS
13 6673, *15 (N.D. Cal. 2004) (quoting Figi Graphics, Inc. v. Dollar
14 General Corp., 33 F. Supp. 2d. 1263, 1268 (S.D. Cal. 1998)).

15 However, the cases Plaintiffs cite discuss California courts'
16 exercise of jurisdiction over foreign defendants in cases brought
17 by California residents.

18 As with many cases involving the internet, no jurisdiction has
19 a particularly strong connection to this case. The marketing and
20 sale of goods over the internet occurred on a national scale.
21 Therefore, the alleged injury occurred wherever a consumer bought a
22 product.

23 Defendants also argue that the contract for the sale of the
24 original 10,000 helicopters from Silverlit to HobbyTron was made
25 pursuant to Utah law. However, it is not clear how the terms of
26 the sales agreement is relevant to Plaintiffs' claims.

27 Finally, Plaintiffs argue that a Utah court will be less
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1 efficient in deciding the California statutory and common law
2 claims that they allege along with their federal copyright and
3 trademark infringement claims.

4 Because internet cases affect all jurisdictions, Utah law is
5 not applicable in this case and California law is relevant to
6 Plaintiffs' claims, this factor weighs slightly against transfer.

7 E. Interests of Justice

8 The interests of justice and judicial efficiency weigh against
9 transfer because Defendants' blatant copying has required this
10 Court to familiarize itself early with the case on a motion for
11 preliminary injunction. It would be inefficient to require a judge
12 in Utah to duplicate this effort.

13 F. Balancing of Factors

14 On balance, the factors weigh against transfer. The Court
15 denies Defendants' motion because they fail to meet their burden of
16 establishing that the convenience of the parties and witness and
17 the interest of justice require transfer to Utah.

18 CONCLUSION

19 The Court GRANTS in part Plaintiffs' motion for a preliminary
20 injunction (Docket No. 4). The injunction has entered as a
21 separate order. The Court DENIES Defendants' motion to transfer or
22 dismiss (Docket No. 34).

23 IT IS SO ORDERED.

24 2/15/07

25 Dated: _____



26 CLAUDIA WILKEN
27 UNITED STATES DISTRICT JUDGE
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United States District Court
For the Northern District of California

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